

M&A Attractiveness Index—Turkey

Developed in association with the M&A Research Centre at Cass Business School

According to the M&A Attractiveness Index, developed by the M&A Research Centre at Cass Business School, Turkey is now ranked 53rd out of a total of 147 countries in terms of its attractiveness for M&A purposes (i.e., its ability to attract and sustain business activity).

The six-year trend data saw Turkey achieve 25th position in 2011, but falling by ten places from last year to its lowest rank in six years at 53rd place. Several reasons are attributed to this fall, including fluctuations in the economic and financial factors.

Market challenges

In the economic and financial ratings, the results have

fluctuated significantly, starting at 36 percent in 2009 through to a high of 63 percent in 2011, then falling back to 51 percent in 2014. This has been mainly due to fluctuations in GDP size and growth and its current account balance.

Market strengths

On the plus side, the market strengths have increased over the years in the infrastructure and assets factors, in which there has been a steady increase and improvement in ports, rails and roads. An area of concern for Turkey is the dramatic fall in 2014 to 77 percent, the lowest level in five years, due to a fall in the number of companies with assets over US\$1 million. ■

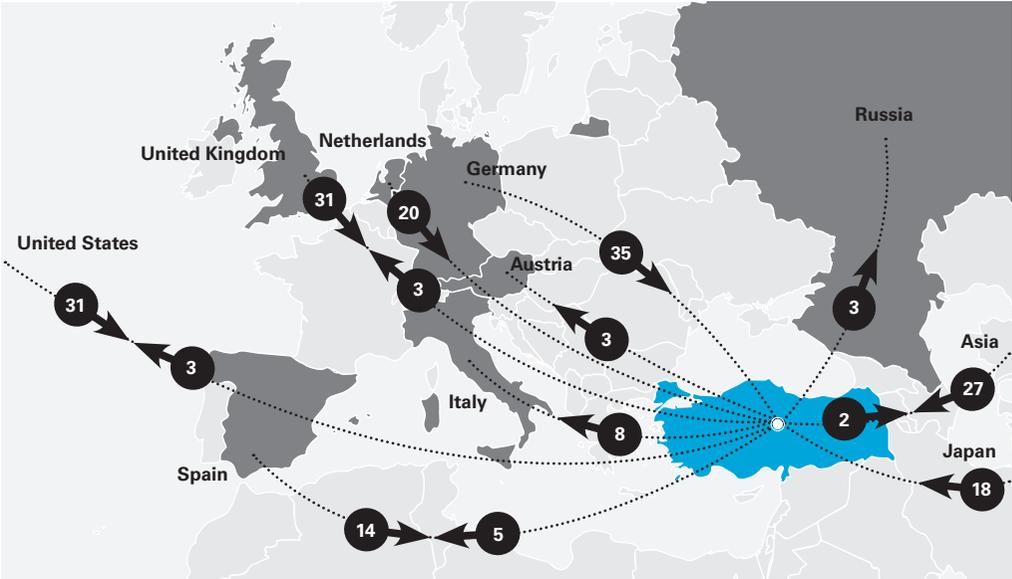


Turkey falls to its lowest rank in six years

Ranked 53rd out of 147 countries

Inbound and outbound investment flows for Turkey*

* Number of deals 2012 – 2014

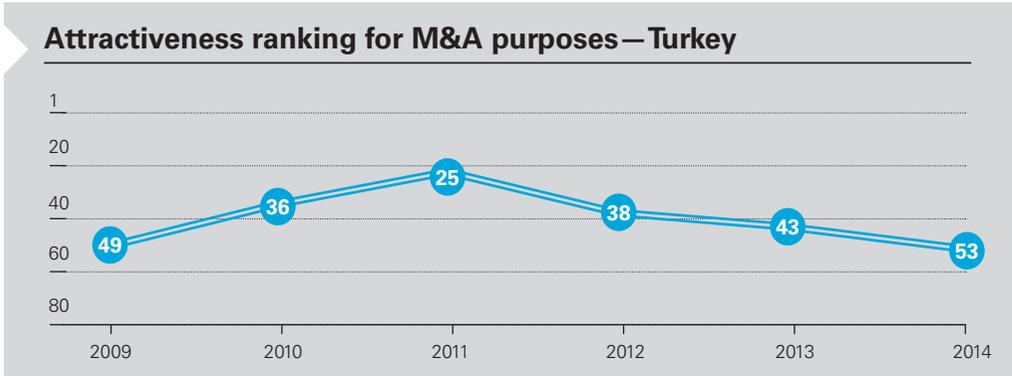


Source: Thomson Financial

M&A deals flowing into Turkey far outstrip Turkish companies acquiring abroad.

The main countries important to the Turkish market are Germany, United States, United Kingdom and Asia. The dominate sector for both German and Asian company investment has been in the power sector, while US companies are acquiring advertising and marketing and professional services companies. Mirroring the United States, UK companies have been acquiring professional services companies.

Outbound investment by Turkish companies has been virtually nonexistent. Where Turkish companies have done deals, the sectors have tended to be food and beverage, oil and gas, and healthcare equipment and supplies. ■



Source: M&A Attractiveness Index, Cass

The severe drop in a measure indicating the ease and attractiveness of undertaking M&A in the country is belied somewhat by Turkey's pole position among Central and Southeastern European nations, with E&Y reporting US\$12.3 billion in deals.

IT was the most active sector, and the largest transaction was in manufacturing (industrials) as Anadolu Endüstri acquired a stake in Migros for US\$799 million, in what was the third-largest deal in the entire region. Rounding

out the top ten were two more Turkish acquisitions: GIC of Singapore bought into Rönensans Gayrimenkul (real estate) for US\$318 million, and the Industrial and Commercial Bank of China paid US\$314 million for Tekstilbank (financials).

Moreover, deal volumes have been in line with years past. Relatively steady activity has, in part, been supported by the robust rate of privatisations—not to mention the bread and butter of the country's M&A landscape: the middle market. Three-quarters

of the transactions in 2014 were below US\$50 million; Turkey doesn't see a surplus of marquee, big-number deals.

Headwinds in the form of a steadily deflating Turkish lira actually scuppered last year's largest M&A deal, the sale of national lottery administrator Milli Piyango for US\$3.2 billion, though it appears that an alternative bidder is stepping in. Other roadblocks to a favourable landscape include general liquidity constraints in emerging markets, in-country elections, uncertain

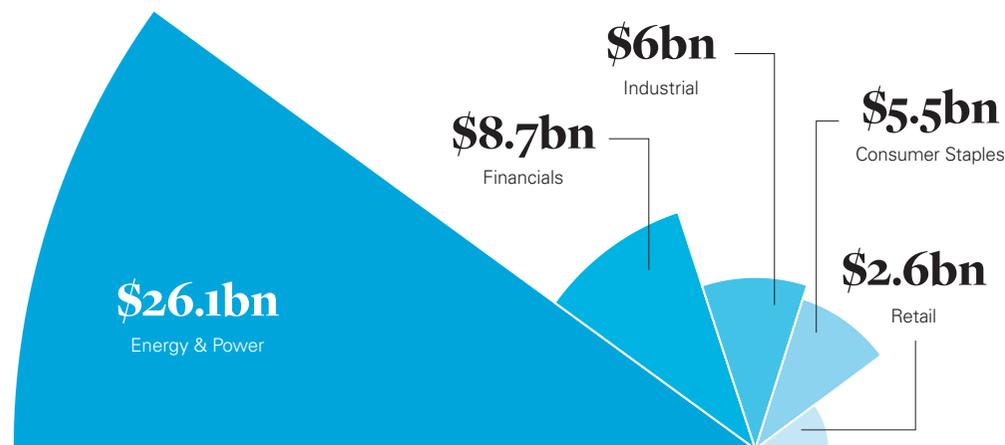
eurozone growth and, in a word, Russia.

As for a drop in the country's favour in the eyes of outside dealmakers, and contrary to any definitive indications, foreign investors are originating nearly half the deals in Turkey, with Europeans leading the charge. We also observe private equity players enjoying some healthy exits, as KKR, GE Energy and Ashmore have all cashed out of Turkish investments of late. ■



Top five active sectors by ranking value of deals* across Turkey

*2009 – 2014
Deal values shown below in US\$



Source: M&A Attractiveness Index, Cass

White & Case in Turkey

Our offices in Istanbul and Ankara have been established since 1985, but have been active in the market since 1978. We focus on M&A, corporate law, corporate finance (including capital markets, bank finance and project finance), power projects, infrastructure, real estate, privatisation and dispute resolution.



“The quality of this team’s advice is great from a technical standpoint, as well as being thorough and precise.”

Chambers Europe 2015

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